

CITY OF OGDEN

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

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City of Ogden

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Keith Berg	Mayor	Dec 2013
David Ohlson	Council Member	Dec 2013
Lori Anderson	Council Member	Dec 2015
Margaret Liston	Council Member	Dec 2015
Sean Thompson	Council Member	Dec 2015
Deb Vigdal	Administrator/Clerk	Indefinite
Lee Johnson	Attorney	Indefinite

City of Ogden

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ogden, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's primary government financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Ogden as of June 30, 2013, and the respective changes in cash basis financial position of the year then ended in accordance with the basis of accounting described in Note 1.

However, the primary government financial statements, because they do not include the financial data of the component unit of the City of Ogden, do not purport to, and do not, present fairly the results of the cash transactions of the funds of the City of Ogden as of and for the year ended June 30, 2013 on the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise the City of Ogden's primary government financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the primary government financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the primary government financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The City has not presented Management's Discussion and Analysis which introduces the primary government financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the primary government financial statements.

The other information, the budgetary comparison of information on pages 24-26 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2013 on our consideration of the City of Ogden's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Ogden's internal control over financial reporting and compliance.

December 5, 2013
Cline DeVries & Allen, LLP
Ames, Iowa

City of Ogden

Basic Financial Statements

City of Ogden

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

		Program Receipts		
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Disbursements	Charges for Service		
Functions/Programs:				
Governmental activities:				
Public safety	\$ 578,720	7,908	43,379	295,461
Public works	279,674	-	229,702	-
Health and social services	6,400	-	10,000	-
Culture and recreation	217,430	22,125	48,090	292,320
Community and economic development	38,033	541	-	17,078
General government	234,087	-	-	-
Debt service	146,366	-	-	-
Capital projects	371,905	-	-	-
Total governmental activities	1,872,615	30,574	331,171	604,859
Business type activities:				
Sewer	261,017	324,097	-	-
Storm water	28,131	36,811	-	-
Total business type activities	289,148	360,908	-	-
Total	\$ 2,161,763	391,482	331,171	604,859
General Receipts and Transfers:				
Property tax levied for:				
General purposes				
Employee benefits				
Debt service				
Utility franchise tax				
Local option sales tax				
Mobile home tax				
Unrestricted interest on investments				
Dividend				
Miscellaneous				
Rent				
Sale of capital assets				
Loan proceeds				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Cemetery mausoleum				
Expendable:				
Streets				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(231,972)	-	(231,972)
(49,972)	-	(49,972)
3,600	-	3,600
145,105	-	145,105
(20,414)	-	(20,414)
(234,087)	-	(234,087)
(146,366)	-	(146,366)
(371,905)	-	(371,905)
(906,011)	-	(906,011)
-	63,080	63,080
-	8,680	8,680
-	71,760	71,760
(906,011)	71,760	(834,251)
397,899	-	397,899
178,609	-	178,609
125,620	-	125,620
8,676	-	8,676
153,047	-	153,047
477	-	477
3,988	1,686	5,674
40,040	-	40,040
5,068	-	5,068
11,857	-	11,857
16,000	-	16,000
153,051	-	153,051
10,242	(10,242)	-
1,104,574	(8,556)	1,096,018
198,563	63,204	261,767
1,473,211	594,526	2,067,737
\$ 1,671,774	657,730	2,329,504
\$ 49,326	-	49,326
17,462	-	17,462
59,622	-	59,622
-	625,397	625,397
991,914	-	991,914
553,450	32,333	585,783
\$ 1,671,774	657,730	2,329,504

City of Ogden

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2013

	General	Local Option Tax	Special Revenue Road Use Tax	Wellness Center	Capital Projects	Nonmajor	Total
Receipts:							
Property tax	\$ 397,899	-	-	-	-	304,229	702,128
Other city tax	13,425	137,183	11,592	-	-	-	162,200
Licenses and permits	1,703	-	-	-	-	-	1,703
Use of money and property	55,881	-	-	-	4	-	55,885
Intergovernmental	353,268	-	195,745	-	-	-	549,013
Charges for service	14,652	-	-	-	-	-	14,652
Miscellaneous	270,719	-	-	92,320	43,165	100	406,304
Total receipts	1,107,547	137,183	207,337	92,320	43,169	304,329	1,891,885
Disbursements:							
Operating:							
Public safety	578,720	-	-	-	-	-	578,720
Public works	56,818	-	222,856	-	-	-	279,674
Health and social services	-	6,400	-	-	-	-	6,400
Culture and recreation	167,430	-	-	50,000	-	-	217,430
Community and economic development	38,033	-	-	-	-	-	38,033
General government	234,087	-	-	-	-	-	234,087
Debt service	-	-	-	-	-	146,366	146,366
Capital projects	-	-	-	-	371,905	-	371,905
Total disbursements	1,075,088	6,400	222,856	50,000	371,905	146,366	1,872,615
Excess (deficiency) of receipts over (under) disbursements	32,459	130,783	(15,519)	42,320	(328,736)	157,963	19,270
Other financing sources (uses):							
Sale of bonds	-	-	-	-	153,051	-	153,051
Sale of capital assets	-	-	-	-	16,000	-	16,000
Operating transfers in	197,761	-	-	200,000	126,888	-	524,649
Operating transfers out	(257,564)	(69,324)	-	-	-	(187,519)	(514,407)
Total other financing sources (uses)	(59,803)	(69,324)	-	200,000	295,939	(187,519)	179,293
Change in cash balances	(27,344)	61,459	(15,519)	242,320	(32,797)	(29,556)	198,563
Cash balances beginning of year	596,748	220,569	75,141	-	454,228	126,525	1,473,211
Cash balances end of year	\$ 569,404	282,028	59,622	242,320	421,431	96,969	1,671,774
Cash Basis Fund Balances							
Non spendable							
Cemetery perpetual care	\$ -	-	-	-	-	49,326	49,326
Cemetery mausoleum	-	-	-	-	-	17,462	17,462
Restricted for:							
Streets	-	-	59,622	-	-	-	59,622
Debt service	-	-	-	-	-	-	-
Other purposes	-	282,028	-	242,320	421,431	46,135	991,914
Unassigned	569,404	-	-	-	-	(15,954)	553,450
Total cash basis fund balances	\$ 569,404	282,028	59,622	242,320	421,431	96,969	1,671,774

See notes to financial statements.

City of Ogden

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2013

	Enterprise		
	Sewer	Non major	Total
Operating receipts:			
Charges for service	\$ 324,097	\$ 36,811	\$ 360,908
Operating disbursements:			
Business type activities	140,797	28,131	168,928
Excess (deficiency) of operating receipts over (under) operating disbursements	183,300	8,680	191,980
Non-operating receipts (disbursements):			
Interest on investments	1,686	-	1,686
Debt service	(120,220)	-	(120,220)
Net non-operating receipts (disbursements)	(118,534)	-	(118,534)
Excess (deficiency) of receipts over (under) disbursements	64,766	8,680	73,446
Transfers out	(9,248)	(994)	(10,242)
Change in cash balances	55,518	7,686	63,204
Cash balances beginning of year	524,819	69,707	594,526
Cash balances end of year	\$ 580,337	\$ 77,393	\$ 657,730
Cash Basis Fund Balances			
Unrestricted	\$ (45,060)	\$ 77,393	\$ 32,333
Restricted for:			
Debt Service	625,397	-	625,397
Total cash basis fund balances	\$ 580,337	\$ 77,393	\$ 657,730

See notes to financial statements.

City of Ogden

City of Ogden

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The City of Ogden is a political subdivision of the State of Iowa located in Boone County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Ogden has included all funds, organizations, agencies, boards, commissions and authorities, except for its component unit, the Ogden Municipal Utilities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's primary government financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These primary government financial statements present the City of Ogden (the primary government) and exclude the component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. It has not been included in these primary government financial statements which present the primary government only. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its administrative office.

Component Unit

The Ogden Municipal Utilities (Utilities) was established to operate the City's electric and water facilities. The Utilities are governed by a three member Board of Trustees appointed by the Mayor and approved by the City Council. Title to all property of the Utilities is held in the name of the City. A financial benefit/burden relationship exists between the City and the Utilities in that the City is authorized by statute to issue general obligation debt for a city utility, and may certify taxes for the payment of the debt.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards: Ogden Legacy, Community Services, Boone County Conference, Lowrey Foundation, Boone County Endowment, Boone County Emergency Management, Genesis Development, and the Bright Meadows.

The City Council members also sit on the Rural Fire Services Board. The City has an ongoing financial interest in this Board. (See Note (9))

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Local Option Tax Fund is used to account for monies collected thru local option sales tax receipts.

The Road Use Tax Fund is used to account for the road use allocation from the State of Iowa to be used for road construction and maintenance.

The Wellness Center Fund is used to account for the money being accumulated for the new Wellness Center.

Capital Projects:

The Capital Project Funds are used to account for the City's improvement projects.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system. Also accounted for in this fund are payments of principal and interest on the City's long-term sewer debt.

C. Measurement Focus and Basis of Accounting

The City of Ogden maintains its financial records on the basis of cash receipts and disbursements and the primary government financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the primary government financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a

proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the Governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government and debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City owns 560 shares of \$25 par value common stock of the Ogden Telephone Company, of which 140 shares (\$100 par value) were acquired by donation and another 420 shares were acquired by stock splits. In 1972, when the stock was donated, there was no market value, therefore it is not included in the cash and investments balance.

Although this type of investment is not permitted by the Code of Iowa, it was acquired by donation, therefore the City is not in violation of Chapter 12 of the Code of Iowa. At this time, the City has decided not to dispose of the stock due to market conditions.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk - The City's investment in the Ogden Telephone Company stock is unrated.

(3) Loans Payable/Revenue Bonds

Annual debt service requirements to maturity for the City's bonds and notes payable and revenue bonds are as follows:

Year Ending June 30,	Fire Truck Loan		Sewer Revenue Bonds		General Obligation Series 2010		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 28,257	6,129	84,000	35,760	100,000	24,000	212,257	65,889
2015	29,388	4,998	87,000	33,240	100,000	22,600	216,388	60,838
2016	30,555	3,831	89,000	30,630	100,000	21,000	219,555	55,461
2017	31,789	2,597	92,000	27,960	100,000	19,100	223,789	49,657
2018	33,062	1,324	95,000	25,200	100,000	17,000	228,062	43,524
2019-2023	-	-	516,000	81,750	500,000	45,600	1,016,000	127,350
2024-2025	-	-	229,000	10,350	-	-	229,000	10,350
Total	\$ 153,051	18,879	1,192,000	244,890	1,000,000	149,300	2,345,051	413,069

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,000,000 of sewer revenue notes issued in June 2004. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is \$1,192,000 and \$244,890, respectively. For the current year, principal and interest paid was \$82,000 and \$38,220, respectively. Annual principal and interest payments are expected to require less than 75% of net receipts.

The resolution providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account within the Enterprise funds for the purpose of making the bond principal and interest payments when due.
- (c) Once the required transfers to the Sinking fund have been made, all of the remaining net revenues shall be put into a Surplus fund.

The City is not in compliance with these provisions at June 30, 2013. The principal and interest on the revenue bonds were paid out of the Sewer Fund rather than the Sewer Sinking account, resulting in a deficit balance for the Sewer Fund at June 30, 2013.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$33,605, \$31,542 and \$27,939, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory and holiday hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payments payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation and compensatory time	\$22,943

This liability has been computed based on rates of pay in effect at June 30, 2013.

Sick leave is payable when used. It is not paid upon termination, retirement or death.

(6) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Health Insurance

The City contributes money to a Health Savings Account (HSA) for each employee to pay a portion of each employee's deductible. Employees on the single plan have a \$2,000 deductible and the City contributes \$1,500 to the employee's HSA. Employees on the family plan have a deductible of \$4,000 and the City contributes \$2,500 to the employee's HSA.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 187,519
	Road Use Tax	-
		<u>\$ 187,519</u>
Capital Projects:	Special Revenue:	
Truck	Local Option sales tax	\$ 20,824
EMS Equipment	Local Option sales tax	5,000
Fire Equipment	Local Option sales tax	15,000
Street Equipment	Local Option sales tax	15,000
Warning Siren	Local Option sales tax	5,000
Police Car	Local Option sales tax	8,500
Fire Equipment	General	<u>57,564</u>
		<u>\$ 126,888</u>
Special Revenue:		
Wellness Center	General	<u>\$ 200,000</u>
General	Business Type:	
	Sewer	\$ 9,248
General	Storm Water	994
		<u>\$ 10,242</u>
Total		<u>\$ 524,649</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(9) Rural Fire Services Board

The City, in conjunction with six townships has created the Rural Fire Services Board. The Board was established for the primary purpose of providing fire protection. The Board is composed of the Township Trustees, the City Council members and the Fire Chief.

Township Trustees levy taxes to pay for their portion of the fire protection based on population, annual average number of calls, and assessed value of real estate in the area served. The Townships reimburse the City for their portion of the expenses, including half of the payments for the fire truck; therefore, the City has an ongoing financial interest.

(10) Related Party Transactions

The City had business transactions between the City and City officials totaling \$670 during the fiscal year ended June 30, 2013.

(11) Deficit Balances

At June 30, 2013, the City had a deficit balance in the Debt Service Fund of \$15,954 and a deficit balance of \$45,060 in the Sewer Fund.

(12) Subsequent Events

The date through which events occurring after June 30, 2013 have been evaluated for possible adjustment to the financial statements or disclosure is December 5, 2013, which is the date of this report.

Other Information

City of Ogden
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 702,128	-	702,128
Other city tax	162,200	-	162,200
Licenses and permits	1,703	-	1,703
Use of money and property	55,885	1,686	57,571
Intergovernmental	549,013	-	549,013
Charges for service	14,652	360,908	375,560
Special assessments	-	-	-
Miscellaneous	406,304	-	406,304
Total receipts	<u>1,891,885</u>	<u>362,594</u>	<u>2,254,479</u>
Disbursements:			
Public safety	578,720	-	578,720
Public works	279,674	-	279,674
Health and social services	6,400	-	6,400
Culture and recreation	217,430	-	217,430
Community and economic development	38,033	-	38,033
General government	234,087	-	234,087
Debt service	146,366	-	146,366
Capital projects	371,905	-	371,905
Business type activities	-	289,148	289,148
Total disbursements	<u>1,872,615</u>	<u>289,148</u>	<u>2,161,763</u>
Excess (deficiency) of receipts over (under) disbursements	19,270	73,446	92,716
Other financing sources, net	<u>179,293</u>	<u>(10,242)</u>	<u>169,051</u>
Excess (deficiency) of receipts and other financing sources over disbursements	198,563	63,204	261,767
Balances beginning of year	<u>1,473,211</u>	<u>594,526</u>	<u>2,067,737</u>
Balances end of year	<u>\$ 1,671,774</u>	<u>657,730</u>	<u>2,329,504</u>

See accompanying independent auditors' report.

Budgeted Amounts		Final to
Original	Final	Total Variance
700,071	700,071	2,057
153,463	153,463	8,737
1,675	1,675	28
72,100	72,100	(14,529)
227,986	541,176	7,837
368,150	368,150	7,410
-	-	-
58,150	828,150	(421,846)
1,581,595	2,664,785	(410,306)
321,974	336,574	(242,146)
299,076	314,326	34,652
7,150	7,150	750
196,741	201,741	(15,689)
17,500	1,073,554	1,035,521
225,304	228,804	(5,283)
160,274	146,274	(92)
380,000	380,000	8,095
341,956	341,956	52,808
1,949,975	3,030,379	868,616
(368,380)	(365,594)	458,310
114,500	114,500	54,551
(253,880)	(251,094)	512,861
1,745,117	1,745,117	322,620
1,491,237	1,494,023	835,481

City of Ogden

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented as Other Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$1,083,190 and budgeted disbursements by \$1,080,404. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government and debt service functions.

Supplementary Information

City of Ogden

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds**

As of and for the year ended June 30, 2013

	Special Revenue		Permanent		
	Employee Benefits	Debt Service	Cemetery Perpetual Care	Cemetery Mausoleum	Total
Receipts:					
Property tax	\$ 178,609	125,620	-	-	304,229
Miscellaneous	-	-	100	-	100
Total receipts	<u>178,609</u>	<u>125,620</u>	<u>100</u>	<u>-</u>	<u>304,329</u>
Disbursements:					
Debt Service	-	146,366	-	-	146,366
Total disbursements	<u>-</u>	<u>146,366</u>	<u>-</u>	<u>-</u>	<u>146,366</u>
Excess (deficiency) of receipts over (under) disbursements	<u>178,609</u>	<u>(20,746)</u>	<u>100</u>	<u>-</u>	<u>157,963</u>
Other financing (uses):					
Operating transfers out	(187,519)	-	-	-	(187,519)
Total other financing (uses)	<u>(187,519)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(187,519)</u>
Change in cash balances	(8,910)	(20,746)	100	-	(29,556)
Cash balances beginning of year	<u>55,045</u>	<u>4,792</u>	<u>49,226</u>	<u>17,462</u>	<u>126,525</u>
Cash balances end of year	<u>\$ 46,135</u>	<u>(15,954)</u>	<u>49,326</u>	<u>17,462</u>	<u>96,969</u>
Cash Basis Fund Balances					
Non spendable					
Cemetery perpetual care	\$ -	-	49,326	-	49,326
Cemetery mausoleum	-	-	-	17,462	17,462
Restricted for:					
Other purposes	46,135	-	-	-	46,135
Unassigned	<u>-</u>	<u>(15,954)</u>	<u>-</u>	<u>-</u>	<u>(15,954)</u>
Total cash basis fund balances	<u>\$ 46,135</u>	<u>(15,954)</u>	<u>49,326</u>	<u>17,462</u>	<u>96,969</u>

See accompanying independent auditors' report.

City of Ogden

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2013

	<u>Enterprise</u> <u>Storm</u> <u>Water</u>
Operating receipts:	
Charges for service	\$ 36,811
Operating disbursements:	
Business type activities	<u>28,131</u>
Excess of operating receipts over operating disbursements	8,680
Transfers out	<u>(994)</u>
Change in cash balance	7,686
Cash balances beginning of year	<u>69,707</u>
Cash balances end of year	<u>\$ 77,393</u>
Cash Basis Fund Balances	
Unrestricted	<u>\$ 77,393</u>

See accompanying independent auditors' report.

City of Ogden
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
<hr/>			
General Obligation:			
Storm sewer	December 2002	4.90%	\$ 203,250
Series 2010	September 2010	1.30-4.00	1,315,000
Revenue Bonds:			
Sewer	June 2004	3.00%	\$ 2,000,000
Other Debt:			
Fire Truck Loan	March 2013	3.95%	\$ 153,051

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 20,292	-	20,292	-	374	-
1,100,000	-	100,000	1,000,000	25,200	-
\$ 1,120,292	-	120,292	1,000,000	25,574	-
\$ 1,274,000	-	82,000	1,192,000	38,220	-
\$ -	153,051	0	153,051	0	-

City of Ogden
Bond and Note Maturities
Year ended June 30, 2013

Year Ending June 30,	General Obligation	
	Loans Payable	
	Series 2010	
	Issued Sep 21, 2010	
	Interest	
	Rate	Amount
2014	1.88%	100,000
2015	2.34%	100,000
2016	2.73%	100,000
2017	3.02%	100,000
2018	3.21%	100,000
2019	3.42%	100,000
2020	3.61%	100,000
2021	4.00%	100,000
2022	4.00%	100,000
2023	4.00%	100,000
		<u>\$ 1,000,000</u>

Year Ending June 30,	Sewer Revenue Bonds	
	Issued Jun 1, 2004	
	Interest	
	Rates	Amount
2014	3.00%	84,000
2015	3.00%	87,000
2016	3.00%	89,000
2017	3.00%	92,000
2018	3.00%	95,000
2019	3.00%	97,000
2020	3.00%	100,000
2021	3.00%	103,000
2022	3.00%	106,000
2023	3.00%	110,000
2024	3.00%	113,000
2025	3.00%	116,000
		<u>\$ 1,192,000</u>

Year Ending June 30,	Fire Truck Loan	
	Issued March, 2013	
	Interest	
	Rates	Amount
2014	3.95%	28,257
2015	3.95%	29,388
2016	3.95%	30,555
2017	3.95%	31,789
2018	3.95%	33,062
2019		-
2020		-
2021		-
2022		-
2023		-
2024		-
2025		-
		<u>\$ 153,051</u>

See accompanying independent auditors' report.

City of Ogden

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Receipts:										
Property tax	\$ 702,128	\$ 709,542	\$ 695,970	\$ 584,866	\$ 522,705	\$ 542,778	\$ 513,041	\$ 440,930	\$ 422,512	\$ 438,019
Other city tax	162,200	154,968	145,657	141,946	150,412	147,074	144,706	133,148	129,426	133,289
Licenses and permits	1,703	2,535	2,078	1,768	1,530	5,835	1,973	2,333	2,182	2,422
Use of money and property	55,885	187,847	102,266	67,514	70,972	66,632	71,988	65,548	60,759	49,594
Intergovernmental	549,013	500,936	795,988	379,435	223,110	281,280	344,258	278,747	253,185	356,246
Charges for service	14,652	14,437	16,919	29,853	23,370	25,934	24,312	19,449	2,893	707
Special assessments	-	575	1,167	5,898	-	-	-	-	-	-
Miscellaneous	406,304	144,031	96,650	124,689	200,018	104,908	116,923	119,445	83,126	83,796
Total	\$ 1,891,885	\$ 1,714,871	\$ 1,856,695	\$ 1,335,969	\$ 1,192,117	\$ 1,174,441	\$ 1,217,201	\$ 1,059,600	\$ 954,083	\$ 1,064,073
Disbursements:										
Operating:										
Public safety	\$ 578,720	\$ 291,778	\$ 285,367	\$ 313,392	\$ 315,532	\$ 295,791	\$ 266,310	\$ 251,493	\$ 234,982	\$ 218,541
Public works	279,674	252,628	254,100	192,507	282,287	286,326	264,942	298,880	271,223	244,698
Health and social services	6,400	8,250	5,400	5,400	14,350	15,850	16,450	16,050	16,600	16,922
Culture and recreation	217,430	159,162	168,044	222,888	222,061	248,162	225,460	214,797	165,513	139,866
Community and economic developme	38,033	27,072	39,936	5,516	27,883	68,173	142,569	85,099	17,829	42,653
General government	234,087	226,051	187,816	143,911	149,455	167,770	144,145	137,328	137,668	124,161
Debt service	146,366	148,518	170,216	37,921	39,992	70,355	74,012	77,432	80,382	84,015
Capital projects	371,905	346,772	1,567,280	255,247	40,715	14,295	147,238	75,872	158,942	182,988
Total	\$ 1,872,615	\$ 1,460,231	\$ 2,678,159	\$ 1,176,782	\$ 1,092,275	\$ 1,166,722	\$ 1,281,126	\$ 1,156,951	\$ 1,083,139	\$ 1,053,844

See accompanying independent auditors' report.

**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with Government Auditing Standards**

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ogden, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 5, 2013. Our report expressed unmodified opinions on the primary government financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Ogden's internal control over financial reporting to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ogden's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Ogden's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness and one we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Ogden's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described as item A in the accompanying Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described as B in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ogden's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance and other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Ogden's Response to Findings

City of Ogden's response to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Ogden's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Ogden during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

December 5, 2013
Cline DeVries & Allen, LLP
Ames, Iowa

City of Ogden

Schedule of Findings

Year ended June 30, 2013

Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) One significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements. One material weakness in internal control over financial reporting was also disclosed.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

City of Ogden
Schedule of Findings

Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

A Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The following functions are all performed by the same person:

- (1) Payroll - preparing and distributing checks.
- (2) Disbursements - preparing, distributing and posting.
- (3) Receipts - collecting, depositing, journalizing and posting.
- (4) Financial records - preparing Council minutes and financial reporting.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances and the above functions should be segregated.

Response - We will review our procedures.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

B Timesheets - Timesheets are prepared by employees but there is no evidence of supervisor approval on the timesheets prior to paying the employees.

Recommendation - Each employee's supervisor should review and approve their timesheet prior to submitting it for payment.

Response - We will do so in the future.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Ogden

Schedule of Findings

Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- 1 **Certified Budget** - Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public safety, culture and recreation, general government and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - Although the budget was amended, it should have been amended in a sufficient amount to prevent disbursements from exceeding budgeted amounts.

Response - We will watch this more closely in the future. For the public safety function, the City exceeded budgeted disbursements because we budgeted a disbursement in the Community and Economic Development function, rather than the Public Safety Function.

Conclusion - Response accepted.

- 2 **Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- 3 **Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- 4 **Business Transactions** - Business transactions between the City and City officials or employees were as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Nate Spencer, police officer	Mowing	\$670

In accordance with Chapter 362.5 of the Code of Iowa, the transactions with the above individual do not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.

- 5 **Bond Coverage** - Surety bond coverage of City officials and employees is not in accordance with statutory provisions. The City should have records of the surety bond per Chapter 64.24 of the Code of Iowa but they could not locate the bond. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Ogden

Schedule of Findings

Year ended June 30, 2013

Recommendation - The City should locate the surety bond and keep adequate records to comply with Chapter 64.24 of the Code of Iowa.

Response - We will do so.

Conclusion - Response accepted.

- 6 **Council Minutes** - No transactions were found that we believe should have been approved in the Council minutes but were not.

- 7 **Deposits and Investments** - The City's investment policy is in compliance with the provisions of Chapter 12B and 12C of the Code of Iowa.

- 8 **Telephone Company Stock** - The City owns 560 shares of \$100 par value common stock of the Ogden Telephone Company, of which 140 shares were acquired by donation and another 420 shares were acquired by stock splits.

Although this type of investment is not permitted by the Code of Iowa, it was acquired by donation; therefore the City is not in violation of Chapter 12 of the Code of Iowa. The stock is not readily marketable, and thus no market value of the shares is determinable.

- 9 **Financial Condition** - The Enterprise Fund, Sewer account had a deficit balance at June 30, 2013 of \$45,060 and the Debt Service Fund had a deficit balance of \$15,954.

Recommendation - The deficit in the Sewer Fund was the result of the principal and interest on the revenue bonds being paid out of the Sewer Fund rather than the Sewer Sinking Account. A transfer should be made from the Sinking Account to reimburse the Sewer Fund. The City should look into alternatives to eliminate the deficit in the Debt Service Fund.

Response - We will do so.

Conclusion - Response accepted.

City of Ogden

Schedule of Findings

Year ended June 30, 2013

- 10 Council Minutes - Chapter 372.13(6) of the Code of Iowa requires the published minutes to include a summary of all receipts. The City did not provide this list each month.

Recommendation - The City should comply with Chapter 372.13(6) of the Code of Iowa.

Response - We started doing this in June of 2013 and will continue to provide the receipts summary in the future.

Conclusion - Response accepted.

- 11 Local Option Sales Tax - One of the monthly local option sales tax receipts was posted to the Road Use Tax Fund rather than the Local Option Tax Fund. The amount of the miss-posted receipt was \$11,592.

Recommendation - The City should make a transfer from the Road Use Tax account to the Local Option Tax account to correct the miss-posted receipt.

Response - We will do so.

Conclusion - Response accepted.